

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CEA-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 FEA-01

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 2340

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 0514

E.O. 11652: GDS

TAGS: ECON MY

SUBJ: NEW PRIME MINISTER HAS FIRM GRASP ON ECONOMIC PROBLEMS

1. SUMMARY: NEW PRIME MINISTER HUSSEIN ONN UNDERSTANDS WELL MALAYSIA'S PRINCIPAL ECONOMIC PROBLEMS INCLUDING NEED FOR FOREIGN INVESTMENT, NEED TO RAISE INCOMES OF POOR, AND RELATIONSHIP OF ECONOMIC DEVELOPMENT TO INTERNAL SECURITY PROBLEM. HE WILL CONTINUE ECONOMIC POLICIES OF FORMER PM RAZAK, BUT PERHAPS IN LESS POLITICIZED MANNER. HE HAS REPUTATION OF BEING HONEST, METICULOUS ADMINISTRATOR WHO GATHERS OPINIONS FROM MANY SOURCES BEFORE MAKING A DECISION, A CHARACTERISTIC THAT GIVES RISE TO CHARGES BY DETRACTORS OF BEING INDECISIVE. HE HAS ORDERED THAT GOVT REVIEW THIRD MALAYSIA PLAN WITH THREE MAJOR POLITICAL PARTIES PRIOR TO SUBMISSION TO PARLIAMENT, A NEW APPROACH IN GOM. WE BELIEVE THAT HIS ECONOMIC PHILOSOPHY, COMBINED WITH HIS HONEST, PRAGMATIC APPROACH TO ECONOMIC PROBLEMS BODES WELL FOR MALAYSIA. END
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SUMMARY.

2. WE BELIEVE NEW PRIME MINISTER HUSSEIN ONN HAS GOOD GRASP OF MALAYSIAN ECONOMIC SITUATION, ESPECIALLY THE IMPORTANT AREAS OF ECONOMIC DEVELOPMENT AND FOREIGN INVESTMENT. PM HAS STATED PUBLICLY THAT HE WILL CONTINUE ECONOMIC POLICIES OF FORMER PM RAZAK WHICH INCLUDES EMPHASIS ON ERADICATION OF POVERTY UNDER THIRD MALAYSIA PLAN, 1976-80. WE EXPECT LITTLE CHANGE IN SUBSTANCE OF DEVELOPMENT AND INVESTMENT POLICIES. WE DO BELIEVE PM WILL APPROACH ECONOMIC PROBLEMS IN A SOMEWHAT LESS POLITICIZED MANNER, PLACING MORE EMPHASIS ON ECONOMIC FACTORS AND BENEFITS.

3. NEW PM HAS REPUTATION OF BEING "EXTENSIVE NOTES IN THE MARGIN" TYPE OF INDIVIDUAL WHO METICULOUSLY READS POSITION PAPERS AND ASKS DETAILED QUESTIONS BEFORE REACHING A DECISION. HE GATHERS INFORMATION AND OPINIONS FROM A VARIETY OF SOURCES PRIOR TO REACHING CONCLUSIONS AND RENDERING DECISION. AS AN EXAMPLE, ECON COUNSELOR AND ROBERT MAYO, CHAIRMAN FEDERAL RESERVE BANK OF CHICAGO, PAID COURTESY CALL ON THEN DPM AND FINANCE MINISTER HUSSEIN ONN IN NOVEMBER 1975. COURTESY CALL TURNED INTO HOUR-LONG SESSION IN WHICH, AT DPM INITIATIVE, THIRTY MINUTES DEVOTED TO FRANK DISCUSSION OF INVESTMENT CLIMATE, WITH DPM CLOSELY QUESTIONING THEM ON ATTITUDES OF U.S. INVESTORS AND CONDITIONS AND POLICIES OF HOST GOVERNMENTS NEEDED TO CREATE FAVORABLE INVESTMENT CLIMATE. IN BUDGET SPEECH LATER SAME MONTH, HUSSEIN ONN STATED NEED FOR CLEAR DEFINITION OF INVESTMENT GROUND RULES, CONSISTENT OVER TIME AND REITERATED NEED FOR FOREIGN INVESTMENT IN ORDER ACHIEVE GOM ECONOMIC GOALS, INVITING PERSONS WITH USEFUL SUGGESTIONS TO PASS THEM DIRECTLY TO HIM. VERY RECENTLY, HUSSEIN SOUGHT PRIVATE MEETING WITH PETROLEUM INDUSTRY REP TO UNDERSTAND FIRSTHAND PROBLEMS FACED BY FOREIGN INVESTORS THIS SECTOR. DISCUSSION LASTED TWO AND HALF HOURS. INDUSTRY REP "ENCOURAGED" BY DEMONSTRATED INTEREST AND CONCERN BY PM HUSSEIN. THESE CHARACTERISTICS RE INFORMATION GATHERING INEVITABLY LEAVE HIM OPEN TO CHARGES BY HIS DETRACTORS THAT HE IS "INDECISIVE".

4. WE BELIEVE THAT AS POLITICAL (AND PARTICULARLY UNITED MALAYS NATIONAL ORGANIZATION--UMNO) REALITIES ALLOW, PM WILL ADOPT PRAGMATIC AND FLEXIBLE POLICIES TOWARD FOREIGN INVESTMENT, TAKING THE NECESSARY STEPS AND GOM ACTIONS TO MAKE MALAYSIA AN ATTRACTIVE PLACE FOR FOREIGN INVESTORS. HE DISPLAYED THESE ATTITUDES AS

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DEPUTY PM AND MINISTER OF FINANCE AND WE EXPECT HIM TO CONTINUE AND PERHAPS REINFORCE HIS GENERALLY CAUTIOUS APPROACH ON ECONOMIC MATTERS AS PM, ALTHOUGH HE WILL, OF COURSE, BE CAREFUL NOT TO LEAVE HIMSELF OPEN TO CHARGES THAT HE IS INSUFFICIENTLY ZEALOUS IN PURSUING THE GOAL OF ECONOMIC BETTERMENT FOR BUMIPUTRAS (MALAYS).

5. REGARDING THE THIRD MALAYSIA PLAN (TMP), 1976-80, AN OFFICIAL

OF ECONOMIC PLANNING UNIT INFORMS US THAT PM HAS ORDERED GOVT TO CONDUCT DETAILED REVIEW OF TMP WITH THREE MAJOR POLITICAL PARTIES (UMNO, MALAY CHINESE ASSOCIATION, AND MALAY INDIAN CONGRESS) PRIOR TO SUBMISSION TO PARLIAMENT FOR APPROVAL. PM HAS ALSO SAID HE WANTS THOROUGH QUESTIONING AND DISCUSSION OF TMP IN PARLIAMENT. TWO PREVIOUS DEVELOPMENT PLANS WERE NOT SUBJECT TO REVIEW BY MAJOR POLITICAL PARTIES OR MUCH DISCUSSION IN PARLIAMENT. REVIEW OF TMP BY POLITICAL PARTIES WILL DELAY SUBMISSION TO PARLIAMENT, ORIGINALLY SCHEDULED FOR MARCH, AND PERHAPS PUT GOM UNDER SOME PRESSURE TO REVISE OR INCLUDE ADDITIONAL PROJECTS UNDER TMP. ON BALANCE, WE VIEW THIS TACTIC AS A PLUS FOR NEW PM BY GETTING THREE MAJOR POLITICAL PARTIES COMMITTED TO TMP THROUGH CONSULTATIVE PROCESS.

6. IN SUM, WE BELIEVE PM'S ECONOMIC PHILOSOPHY COMBINED WITH HIS HONEST, PRAGMATIC, GENERALLY CAUTIOUS, CONSENSUS APPROACH TO MALAYSIA'S ECONOMIC PROBLEMS SHOULD BODE WELL FOR MALAYSIA AT THIS STAGE OF ECONOMIC DEVELOPMENT.
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